



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0755
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Title:	Exempt certain gift certificate from abandoned property law
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Primary Sponsor:	Keane, Jim
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Status:	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Trust Fund (08)	(\$5,250)	(\$8,385)	(\$10,044)	(\$12,032)
Revenue:				
General Fund	(\$9,750)	(\$15,572)	(\$18,654)	(\$22,345)
Trust Fund (08)	(\$5,250)	(\$8,385)	(\$10,044)	(\$12,032)
Net Impact-General Fund Balance:	<u>(\$9,750)</u>	<u>(\$15,572)</u>	<u>(\$18,654)</u>	<u>(\$22,345)</u>

Description of fiscal impact:

Proposed law excludes gift certificates from the class of unclaimed property. This exclusion will reduce projected general fund revenue beginning in FY 2008.

FISCAL ANALYSIS

Assumptions:

Department of Revenue:

- The effective date of proposed law is the default date of October 1, 2007.
- Under current law, 60% of merchandise redeemable gift certificate balances unredeemed three years following December 31 of the year of purchase are escheated from the holder to an escheating state according to these criteria in order of preference:
 - The state of the last known address of the apparent owner; or

- 2) If the last address of the apparent owner is unknown or is in a state that does not escheat gift cards, then the state of domicile of the holder; or
- 3) If the last address of the apparent owner is unknown or is in a state that does not escheat gift cards, and the holder is domiciled in a state that does not escheat gift cards, then the state in which the gift card was purchased.
3. From US Census Bureau information, pre-paid cards were used to purchase \$69.490 billion worth of goods and services in CY 2003. This number is projected to grow to \$171.390 billion in CY 2008, implying growth of 19.79% per year.
4. The pre-paid cards in Assumption 3 are primarily gift cards and phone cards. Assuming that 50% of the value is in gift certificates, and using implied growth of 19.79% per year, the national volume in gift card transactions is projected to be \$41.620 billion in CY 2004, \$49.856 billion in CY 2005, \$59.721 billion in CY 2006, and \$71.539 billion in CY 2007.
5. From US Census Bureau information, 0.27% of 2004 national retail trade volume took place in Montana.
6. For the purposes of this fiscal note, it is assumed that 0.27% of the national volume in gift card transactions projected in Assumption 4 will take place in Montana.
7. From Assumptions 4 and 6, the Montana volume in gift card transactions is projected to be \$113,145,621 in CY 2004, \$135,534,664 in CY 2005, \$162,354,009 in CY 2006, and \$194,480,315 in CY 2007.
8. For the purposes of this fiscal note, it is assumed that on gift cards owned by Montana residents; the aggregate balance unredeemed as of January 1, three years following the year of purchase of the card, equals 5% of the aggregate volume of Montana transactions in the year of purchase.
9. From Assumptions 4, 5, and 6, unredeemed balances on Montana resident owned gift cards three years following purchase is projected to be \$4,722,752 in FY 2008, \$5,657,281 in FY 2009, \$6,776,733 in FY 2010, and \$8,117,700 in FY 2011.
10. Under current law, 40% of unredeemed gift card balances are retained by the vendor, and 60% of unredeemed balances are escheated to states according to criteria in Assumption 1.
11. Under current law and Assumptions 1, 9, and 10 the portion of unredeemed balances escheatable to Montana is projected to be \$2,833,651 in FY 2008, \$3,394,369 in FY 2009, \$4,066,040 in FY 2010, and \$4,870,620 in FY 2011.
12. From Department of Revenue records of past escheatment, the portion of unredeemed balances estimated to be escheated to Montana is \$20,000 in FY 2008, \$23,958 in FY 2009, \$28,698 in FY 2010, and \$34,377 in FY 2011. The projected difference in escheatable balances from Assumption 11 is \$2,813,651 in FY 2008, \$3,370,411 in FY 2009, \$4,037,342 in FY 2010, and \$4,836,243 in FY 2011. The projected difference will be retained by non-compliant vendors or will be escheated to other states because the Montana address of the apparent owner is not recorded.
13. Gift certificate balances transferred to the state as unclaimed property are held in perpetual custody for the rightful owners. If the rightful owner claims the property, the state must transfer the property to the rightful owner.
14. The Department of Revenue estimates that 35% of all abandoned property is transferred back to rightful owners.
15. Under current law, the property claimed by rightful owners is transferred as abated revenue from the general fund to the abandoned property trust, and expensed from this trust to the rightful owners.
16. Under proposed law, expected general fund revenue loss is \$9,750 in FY 2008 { \$20,000 X 65% X 9/12 }, \$15,572 in FY 2009 { \$23,958 X 65% }, \$18,654 in FY 2010 { \$28,698 X 65% }, and \$22,345 in FY 2011 { \$34,377 X 65% }.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers	<u>(\$5,250)</u>	<u>(\$8,385)</u>	<u>(\$10,044)</u>	<u>(\$12,032)</u>
TOTAL Expenditures	<u>(\$5,250)</u>	<u>(\$8,385)</u>	<u>(\$10,044)</u>	<u>(\$12,032)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Abandoned Property Trust (08)	<u>(\$5,250)</u>	<u>(\$8,385)</u>	<u>(\$10,044)</u>	<u>(\$12,032)</u>
TOTAL Funding of Exp.	<u>(\$5,250)</u>	<u>(\$8,385)</u>	<u>(\$10,044)</u>	<u>(\$12,032)</u>
<u>Revenues:</u>				
General Fund (01)	<u>(\$9,750)</u>	<u>(\$15,572)</u>	<u>(\$18,654)</u>	<u>(\$22,345)</u>
Abandoned Property Trust (08)	<u>(\$5,250)</u>	<u>(\$8,385)</u>	<u>(\$10,044)</u>	<u>(\$12,032)</u>
TOTAL Revenues	<u>(\$15,000)</u>	<u>(\$23,957)</u>	<u>(\$28,698)</u>	<u>(\$34,377)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	<u>(\$9,750)</u>	<u>(\$15,572)</u>	<u>(\$18,654)</u>	<u>(\$22,345)</u>
Abandoned Property Trust (08)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Technical Notes:

- Under proposed law, gift certificates may be included in the “all other property” category of abandoned property, with a five year grace period (70-9-803, (1), (p), MCA; as amended).

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date